

Introduced by Senators Wolk, DeSaulnier, and Huff**(Principal coauthor: Senator Ashburn)**

(Principal coauthors: Assembly Members Buchanan and Niello)

February 11, 2010

An act to add Sections 9143.5, 13335.3, and 13335.5 to the Government Code, relating to the state budget.

LEGISLATIVE COUNSEL'S DIGEST

SB 1020, as introduced, Wolk. State budget.

(1) The California Constitution requires the Governor to submit annually to the Legislature a budget itemizing state expenditures and estimating state revenues and requires the Legislature to pass the Budget Bill by midnight on June 15.

This bill would require that the budget submitted by the Governor to the Legislature for the 2014–15 fiscal year and each fiscal year thereafter be developed pursuant to performance-based budgeting, as defined, for each state agency.

(2) Under existing law, a state agency for which an appropriation is made is generally required to submit to the Department of Finance for approval a complete and detailed budget setting forth all proposed expenditures and estimated revenues for the ensuing fiscal year.

The bill would require the budget of a state agency, as defined, submitted to the department to utilize a performance-based budgeting, as defined. The bill also would establish a task force comprised of the Director of Finance, the Controller, and the chairpersons and vice chairpersons of the Senate Committee on Budget and Assembly Committee on Budget to develop performance-based budgeting guidelines and procedures and a process for phasing in requirements of performance-based budgeting and to review and comment on a

training and education program for state agency personnel involved in the budget process developed by the Department of Finance.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 9143.5 is added to the Government Code,
2 to read:

3 9143.5. (a) Within one year of the effective date of the act that
4 added this section, the Legislature shall establish a process,
5 including the creation of a new or use of an existing joint
6 committee, and shall include a schedule and a deadline for
7 reviewing the performance of all programs at least once every 10
8 years in a bill implementing the Budget Act. The schedule shall
9 provide for reviewing programs with expenditures that total
10 one-third or more of total expenditures by July 1, 2015, and that
11 total two-thirds of total expenditures by January 1, 2018. For
12 purposes of this section, “expenditures” include statutory
13 exemptions, deductions, credits, or exclusions from taxes or fees
14 that would otherwise apply.

15 (b) Six months prior to the deadline for review of each program,
16 the joint committee shall refer the initial program review to the
17 appropriate policy committees of each house of the Legislature.
18 For programs with common objectives, the reviews may be
19 combined. Within 90 days prior to the deadline, the policy
20 committees shall make recommendations regarding a program to
21 the joint committee. The joint committee’s review may be based
22 on the recommendations of the policy committees, as well as
23 recommendations that may be made by the Milton Marks “Little
24 Hoover” Commission on California State Government Organization
25 and Economy, the Legislative Analyst, the Bureau of State Audits,
26 or the public. In preparing proposed legislation for each program,
27 the joint committee shall propose, but is not limited to, one or more
28 of the following:

- 29 (1) Modifications to the program that will reduce costs.
30 (2) Modifications to the program that will improve outcomes.
31 (3) Reorganization of the program by consolidating it with
32 programs that have similar objectives.
33 (4) Termination of the program.

1 (c) Proposed legislation shall be submitted to the Committee
2 on Rules of each house for referral to the appropriate policy
3 committee for public hearing and further action.

4 (d) The joint committee shall post on an Internet Web site its
5 recommendations and the results of the Legislature's action.

6 (e) "Performance-based budgeting" has the same meaning as
7 set forth in subdivision (d) of Section 13335.3.

8 SEC. 2. Section 13335.3 is added to the Government Code, to
9 read:

10 13335.3. (a) The purpose of performance-based budgeting is
11 to inform policy, fiscal, and oversight decisions by the Governor
12 and Members of the Legislature; to focus managers, supervisors,
13 and rank and file workers on achieving desired goals; and to
14 communicate to the public the value of public programs, progress
15 toward desired results, and the choices available to improve the
16 expenditure of public funds.

17 (b) Every state agency for which an appropriation has been
18 made shall submit to the department for approval a complete and
19 detailed budget at the time and in the form prescribed by the
20 department, setting forth all proposed expenditures and estimated
21 revenues for the ensuing fiscal year.

22 (c) The budget submitted to the department and proposed by
23 the Governor shall use performance-based budgeting methods that
24 make it clear to policymakers and the public the value and results
25 of existing operations and proposed changes.

26 (d) As used in this article, "performance-based budgeting"
27 means establishing clear accountability by achieving measurable
28 performance results from the expenditure of state resources.

29 (e) A performance-based budget shall identify and update all
30 of the following:

31 (1) The mission and goals of the agency.

32 (2) The activities and programs focused on achieving those
33 goals.

34 (3) Performance metrics that reflect desired outcomes for
35 existing and proposed activities and a targeted performance level
36 for the following year.

37 (4) Prior-year performance data and an explanation of deviation
38 from previous-year targets.

1 (5) Proposed changes in statute, including the creation of
2 incentives or elimination of disincentives that could improve
3 outcomes or hold down costs.

4 (f) The Governor's Internet Web site shall provide a summary
5 of each state agency's mission, goals, prior-year performance, and
6 future-year objectives.

7 SEC. 3. Section 13335.5 is added to the Government Code, to
8 read:

9 13335.5. (a) Not later than the 2014–15 fiscal year, and each
10 fiscal year thereafter, the budget submitted by the Governor to the
11 Legislature, as required by Section 12 of Article IV of the
12 California Constitution, shall be developed by utilizing
13 performance-based budgeting methods.

14 (b) The amount of each appropriation made in the Budget Act
15 for the 2014–15 fiscal year, and each fiscal year thereafter, for
16 expenditure by any state agency shall be determined after
17 considering performance-related data. The Budget Act introduced
18 by the Governor also shall include performance standards, which
19 may be amended by the Legislature in the same manner as
20 amendments to appropriations in the Budget Bill. These standards
21 shall be applied to each state agency, and should allow the public
22 and policymakers to understand the effectiveness and efficiency
23 of each program.

24 (c) The Legislative Analyst's Office shall review the adequacy
25 of performance metrics and progress toward targeted outcomes in
26 preparing its review of the Governor's budget proposal.

27 (d) A task force consisting of the director, the Controller, and
28 the chairpersons and vice chairpersons of the Senate Committee
29 on Budget and Fiscal Review and the Assembly Committee on
30 Budget shall do all of the following:

31 (1) Review and comment on guidelines and procedures drafted
32 by the department to be used by state agencies in developing
33 performance-based budgets pursuant to Sections 13320 and
34 13335.3. The guidelines shall describe how state employees will
35 be involved in establishing and implementing performance
36 standards.

37 (2) Review and comment on a training program developed by
38 the department for appropriate executive branch personnel to ensure
39 the successful implementation of performance-based budgeting
40 and management by state agencies.

1 (3) Review and comment on a plan prepared by the department
2 for systematically phasing in the requirements of Sections 13320
3 and 13335.3. The plan should ensure that, by the 2012–13 fiscal
4 year, performance-based budgeting methods are used in preparing,
5 reviewing, and enacting one-third or more of the total General
6 Fund expenditures as proposed in the Governor’s Budget for that
7 fiscal year.

8 (e) For purposes of this article, “state agency” means any
9 agency, department, or other entity of the executive branch of the
10 state that is required to submit a budget pursuant to Article 2
11 (commencing with Section 13320).

O